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**INTERIM FINANCIAL REPORT**

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**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2007**

	INDIVIDUAL PERIOD 3 MONTHS ENDED		CUMULATIVE PERIOD 3 MONTHS ENDED	
	30/09/2007 RM'000	30/09/2006 RM'000	30/09/2007 RM'000	30/09/2006 RM'000
<b>Revenue</b>	183,409	100,930	183,409	100,930
Operating expenses	(169,255)	(94,130)	(169,255)	(94,130)
Other operating income	1,437	1,624	1,437	1,624
Share of post-tax profit in associated companies	6,985	6,696	6,985	6,696
Finance costs	(95)	(35)	(95)	(35)
<b>Profit before tax</b>	22,481	15,085	22,481	15,085
Tax expense	(3,463)	(1,976)	(3,463)	(1,976)
<b>Profit for the period</b>	<u>19,018</u>	<u>13,109</u>	<u>19,018</u>	<u>13,109</u>
<b>Attributable to:</b>				
Equity holders of the parent	16,948	12,791	16,948	12,791
Minority interest	2,070	318	2,070	318
	<u>19,018</u>	<u>13,109</u>	<u>19,018</u>	<u>13,109</u>
Basic earnings per ordinary share of RM0.10 each (sen)	<u>1.21</u>	<u>0.93</u>	<u>1.21</u>	<u>0.93</u>
Diluted earnings per ordinary share of RM0.10 each (sen)	<u>1.21</u>	<u>0.93</u>	<u>1.21</u>	<u>0.93</u>

*(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.)*

**DIALOG GROUP BERHAD**

Company No. 178694 – V

(Incorporated in Malaysia)

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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2007**

	30/09/2007 RM'000	30/06/2007 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	110,121	108,043
Prepaid lease payments for land	54,372	15,805
Intangible assets	6,477	6,443
Investment in associated companies	101,948	108,408
Other investments	1,942	1,902
Deferred tax assets	4,200	3,546
	279,060	244,147
<b>CURRENT ASSETS</b>		
Amounts due from customers for contract works	78,287	53,864
Inventories	13,888	22,670
Trade receivables	130,543	90,228
Other receivables, deposits and prepayments	8,120	8,370
Amount due from associated companies	302	131
Short term and portfolio investments	–	393
Deposits, cash and bank balances	50,675	59,995
	281,815	235,651
<b>TOTAL ASSETS</b>	<b>560,875</b>	<b>479,798</b>

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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2007  
(CONT'D)**

	<b>30/09/2007</b>	<b>30/06/2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	141,321	141,321
Reserves	209,488	191,327
Treasury shares	(8,147)	(8,129)
	342,662	324,519
<b>Minority interest</b>	18,001	15,931
<b>TOTAL EQUITY</b>	<u>360,663</u>	<u>340,450</u>
<b>NON-CURRENT LIABILITIES</b>		
Hire purchase creditors	443	364
Term loans	14,537	–
Deferred tax liabilities	1,801	1,601
	<u>16,781</u>	<u>1,965</u>
<b>CURRENT LIABILITIES</b>		
Amounts due to customers for contract works	9,666	7,394
Trade payables	107,663	98,045
Other payables and accruals	18,719	26,962
Amount due to a jointly controlled entity	253	757
Amount due to associated companies	681	554
Term loans	39,053	–
Hire purchase creditors	572	352
Tax payables	6,824	3,319
	<u>183,431</u>	<u>137,383</u>
<b>TOTAL LIABILITIES</b>	<u>200,212</u>	<u>139,348</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>560,875</u></u>	<u><u>479,798</u></u>

*(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.)*

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2007**

	Attributable To Equity Holders Of The Parent							Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000	Minority interest RM'000	
	<b>Balance as at 1 July 2007</b>	141,321	25,147	(8,129)	926	165,254	324,519	
Currency translation differences	–	–	–	876	–	876	–	876
Income recognised directly in equity	–	–	–	876	–	876	–	876
Profit for the period	–	–	–	–	16,948	16,948	2,070	19,018
Total recognised income for the period	–	–	–	876	16,948	17,824	2,070	19,894
Fair value of ESOS recognised as expense	–	–	–	343	–	343	–	343
Share issue expenses	–	(6)	–	–	–	(6)	–	(6)
Shares repurchased	–	–	(18)	–	–	(18)	–	(18)
<b>Balance as at 30 September 2007</b>	<b>141,321</b>	<b>25,141</b>	<b>(8,147)</b>	<b>2,145</b>	<b>182,202</b>	<b>342,662</b>	<b>18,001</b>	<b>360,663</b>
<b>Balance as at 1 July 2006</b>	138,519	30,622	(9,308)	1,313	152,424	313,570	12,819	326,389
Currency translation differences	–	–	–	282	–	282	51	333
Income recognised directly in equity	–	–	–	282	–	282	51	333
Profit for the period	–	–	–	–	12,791	12,791	318	13,109
Total recognised income for the period	–	–	–	282	12,791	13,073	369	13,442
Appropriation :-								
Special cash dividend for the previous financial year	–	–	–	–	(14,838)	(14,838)	–	(14,838)
Special share dividend for the previous financial year	–	(14,192)	14,192	–	–	–	–	–
Reinstatement of minority interest	–	–	–	–	–	–	175	175
Options exercised	2,802	8,828	–	–	–	11,630	–	11,630
Share issue expenses	–	(57)	–	–	–	(57)	–	(57)
Issuance of shares to minority interest	–	–	–	–	–	–	1,723	1,723
Shares repurchased	–	–	(11,635)	–	–	(11,635)	–	(11,635)
<b>Balance as at 30 September 2006</b>	<b>141,321</b>	<b>25,201</b>	<b>(6,751)</b>	<b>1,595</b>	<b>150,377</b>	<b>311,743</b>	<b>15,086</b>	<b>326,829</b>

*(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.)*

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2007**

	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	22,481	15,085
Adjustments for :		
Depreciation and amortisation expenses	2,587	2,246
Share of result of associated companies	(6,985)	(6,696)
Other non-cash items	(32)	(476)
Interest, dividend income and profit from investing activities	<u>(208)</u>	<u>(467)</u>
Operating profit before working capital changes	17,843	9,692
Changes in working capital :		
Net change in current assets	(54,399)	(27,749)
Net change in current liabilities	<u>2,354</u>	<u>(12,866)</u>
<b>Cash used in operations</b>	<b>(34,202)</b>	<b>(30,923)</b>
Interest and dividend received	13,738	13,325
Tax paid	(876)	(1,137)
Tax refund	<u>688</u>	<u>52</u>
<b>Net cash used in operating activities</b>	<b><u>(20,652)</u></b>	<b><u>(18,683)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiary companies	–	5,722
Investment in short term, portfolio and other investments	–	(168)
Proceeds from disposal portfolio investments	370	–
Net change in fixed deposits with licensed bank	(507)	6,250
Proceeds from redemption of preferences shares by an associated company	–	16,500
Proceed from disposal of property, plant and equipment	400	–
Payments of prepaid lease land	(38,485)	–
Purchase of property, plant and equipment	<u>(4,812)</u>	<u>(4,107)</u>
<b>Net cash (used in) / generated from investing activities</b>	<b><u>(43,034)</u></b>	<b><u>24,197</u></b>

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2007 (CONT'D)**

	<b>30/09/2007</b>	<b>30/09/2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	–	(14,838)
Proceeds from issue of shares	–	11,630
Proceeds from shares issued to minority interest	–	1,723
Repayment of hire purchase financing	(168)	(19)
Proceeds from term loans drawdown	53,590	–
Share issue expenses	(6)	(57)
Share repurchased	(18)	(11,635)
<b>Net cash generated from / (used in) financing activities</b>	<u>53,398</u>	<u>(13,196)</u>
Effects of exchange rate changes	<u>(206)</u>	<u>92</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(10,494)	(7,590)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		
As previously reported	56,051	45,400
Effects of exchange rate changes on cash and cash equivalents	667	171
As restated	<u>56,718</u>	<u>45,571</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u><u>46,224</u></u>	<u><u>37,981</u></u>

*(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and accompanying explanatory notes attached to the Interim Financial Statements.)*

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**NOTES TO THE INTERIM FINANCIAL REPORT**

**A EXPLANATORY NOTES PURSUANT TO FRS 134**

**A1 Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa”) Listing Requirements and should be read in conjunction with the Group’s annual audited financial report for the year ended 30 June 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2007.

**A2 Auditors’ report of preceding annual audited financial statements**

The auditors’ report on preceding year’s audited financial statements was not subject to any qualification.

**A3 Seasonal or cyclical factors**

The Group’s operations are not affected by seasonal or cyclical factors.

**A4 Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group since the last annual audited financial statements.

**A5 Material changes in estimates**

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current financial year.

**A6 Debt and equity securities**

The Company repurchased a total of 10,000 ordinary shares of RM0.10 each from the open market for a total consideration of RM17,730. The repurchased transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year.

**A7 Dividends paid**

No dividend has been paid or declared by the Company since the end of the previous financial year.

**DIALOG GROUP BERHAD**

Company No. 178694 – V

(Incorporated in Malaysia)

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**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A8 Segment information**

The Group operates principally in the oil, gas and petrochemical industry in Malaysia and other areas of the world.

Segment information in respect of the Group's geographical segments are as follows :-

	<b>Revenue 3 months ended 30-09-07 RM'000</b>	<b>Profit before tax 3 months ended 30-09-07 RM'000</b>
Malaysia	99,525	10,786
Asia Pacific and other countries	<u>83,884</u>	<u>4,710</u>
	<u>183,409</u>	<u>15,496</u>
Share of profit after tax of associated companies		<u>6,985</u>
Profit before tax for the period		<u><u>22,481</u></u>

**A9 Property, plant and equipment**

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements.

**A10 Material events subsequent to the end of the interim period**

There were no material events subsequent to the current financial year ended 30 June 2007 up to the date of this report, which is likely to substantially affect the results of the operations of the Group.

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**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A11 Changes in the composition of the Group**

- i) On 7 August 2007 Dialog Systems (Asia) Pte Ltd, a wholly owned subsidiary of the Company, acquired the entire issued and paid-up share capital of Dialog Services (Hong Kong) Limited ("DSHK") comprising of 1 ordinary share of USD1.00 each at par from an unrelated third party. DSHK is currently a dormant company.
- ii) On 4 October 2007, the Company entered into a shareholders' agreement with MISC Berhad ("MISC") to joint venture in the development of independent centralised tankage facilities and tank terminals at the Port of Tanjung Langsat and other locations.

On 2 November 2007, the Company subscribed for new ordinary shares representing 55% of the enlarged issued and paid-up share capital of the joint venture company, Centralised Terminals Sdn Bhd (formerly known as Dialog CTF Sdn Bhd) ("CTSB"). The remaining 45% of the new ordinary shares was subscribed by MISC.

Subsequently, CTSB subscribed for new ordinary shares representing 80% of the enlarged issued and paid-up share capital of Langsat CTF Sdn Bhd and Langsat Terminal (One) Sdn Bhd. The remaining 20% of the new ordinary shares were subscribed by Puma Energy Asia Pacific B.V., a wholly-owned subsidiary of Trafigura Beheer B.V.

**A12 Capital commitments**

	<b>30-09-07</b>
	<b>RM'000</b>
Capital expenditures in respect of property, plant and equipment :	
- contracted but not provided for	5,443
Operating lease commitments :	
- not later than one year	644
- later than one year and not later than five years	208
	852
	<u>6,295</u>

**A13 Changes in contingent liabilities and contingent assets**

The Company provides corporate guarantee up to a total amount of RM281,100,750 (as at 30.06.07: RM158,343,025) to licensed banks for banking facilities granted to certain subsidiary companies. Consequently, the Company is contingently liable for the amount of banking facilities utilised by these subsidiary companies totaling RM113,581,026 (as at 30.06.07: RM53,084,922).

The Company has also given corporate guarantees amounting to RM42,128,000 (as at 30.06.07: RM42,560,000) to third parties for supply of goods and warehouse licenses for certain subsidiary companies.

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**A EXPLANATORY NOTES PURSUANT TO FRS 134 – CONT'D****A14 Related party transactions**

The following are the significant related party transactions:-

	<b>3 months ended</b>
	<b>30-09-07</b>
	<b>RM'000</b>
Services rendered by a jointly controlled entity	1,934
Gross dividend received from an associated company	18,493
	<u>18,493</u>

**A15 Cash and cash equivalents**

	<b>30-09-07</b>
	<b>RM'000</b>
Deposits, cash and bank balances	50,675
Less: Deposits with licensed banks restricted in use	<u>(4,451)</u>
	<u>46,224</u>

**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B1 Review of performance**

The Group posted an 82% growth in revenue to RM183.4 million for the current financial quarter as compared to RM100.9 million in the corresponding financial quarter last year. The better performance was mainly contributed by the Plant Maintenance, Catalysts Handling Services and Engineering and Fabrication activities which continue to see sustained expansion, both in Malaysia and overseas.

In line with the growth in revenue recorded, profit after tax for the current financial quarter increased by 45% to RM19.0 million from RM13.1 million recorded for the same financial quarter last year.

**B2 Variation of results against preceding quarter**

The Group's profit before tax for the current financial quarter of RM22.5 million was 44% higher compared to RM15.6 million achieved in the preceding financial quarter. The better results was due to higher revenue recorded in the current financial quarter.

**B3 Prospects**

The Group will continue to grow businesses with long term recurring income through its investments in centralised tankage facilities both locally and overseas, expansion of catalyst handling services worldwide and expansion of plant maintenance services regionally. The Group's presence in overseas market as an integrated specialist technical services provider will facilitate the Group to achieve this strategy.

In addition, the Group shall continue to strengthen the engineering capability in order to support the growing demand for EPCC, fabrication and plant maintenance activities.

Barring any unforeseen circumstances, the Group is very optimistic that its performance will be favourable for the financial year ending 30 June 2008.

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D****B4 Profit forecast and profit guarantee**

The Group does not announce any profit forecast nor profit guarantee during the current financial period.

**B5 Taxation**

	<b>3 months ended</b>
	<b>30-09-07</b>
	<b>RM'000</b>
Current tax expense	4,048
Deferred tax income	(587)
Under provision in prior years	<u>2</u>
Total tax expense	<u><u>3,463</u></u>

The tax charge of the Group for the period ended 30 September 2007 took into consideration an effective tax rate which incorporates the gradual reduction for the changes of local statutory tax rate from 27% to 26%. Overall effective tax rates of the current quarter and the financial year are still lower than the statutory tax rate of 26%, due to lower tax rate applicable to small and medium size subsidiary companies and lower tax rates in foreign jurisdictions.

**B6 Unquoted investment and properties**

There were no disposals of unquoted investment and properties during the current financial quarter.

**B7 Quoted securities**

The Group's investments in quoted securities are managed by professional fund managers. During the quarter, the Group disposed of all its investments in quoted securities. The sales proceed from the disposal was RM370,000 and the loss arising from the disposal was RM30,703.

**B8 Status of corporate proposals**

There were no corporate proposals announced but not completed as at the date of this announcement.

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D**

**B9 Borrowings and debt securities**

As at 30 September 2007, the Group's secured borrowings are as follows:

		30-09-07	
	Currency	FC'000	RM'000
Short term borrowing:			
Hire purchase creditors	SGD	155	357
Hire purchase creditors	GBP	31	215
Term loan	SGD	408	938
Term loan	RM	38,115	38,115
Long term borrowing:			
Hire purchase creditors	SGD	124	286
Hire purchase creditors	GBP	23	157
Term loan	SGD	842	1,937
Term loan	RM	12,600	12,600
			54,605

**B10 Off balance sheet financial instruments**

As at 15 November 2007, the forward foreign exchange contracts which have been entered into by the Group to hedge its foreign currency receivables/payables are as follows:

Currency	Contract		Contract Type	Contract Period	Outstanding Contract Amount	
	Amount FC'000	Contract Date			FC'000	RM'000
<b><u>Receivables</u></b>						
USD	2,116	08-03-07	Optional	08-03-07 to 14-01-08	2,116	7,315
USD	30	26-10-07	Optional	26-10-07 to 30-11-07	30	100
USD	68	26-10-07	Optional	26-10-07 to 31-12-07	68	228
USD	119	26-10-07	Optional	26-10-07 to 30-01-08	119	395
<b><u>Payables</u></b>						
USD	124	05-09-07	Optional	05-09-07 to 30-04-08	124	433
GBP	227	18-09-07	Optional	18-09-07 to 26-02-08	227	1,575

There is no cash requirement for the above forward foreign exchange contract. These contracts are recognised in the accounts upon settlement.

**B11 Material litigation**

The Group is not engaged in any material litigation and is not aware of any proceedings which might materially affect the position or business of the Group.

**B12 Dividends**

The Board does not recommend any interim dividend in respect of the current financial period.

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD – CONT'D**

**B13 Earnings per share**

The basic earnings per share for the current quarter is calculated based on consolidated profit after taxation and minority interest of RM16,948,286 and weighted average number of ordinary shares in issue of 1,398,826,317 (previous corresponding period : RM12,790,991 and 1,373,127,646 shares).

The diluted earnings per share for the current quarter is calculated based on consolidated profit after taxation and minority interest of RM16,948,286 and on the adjusted weighted average number of ordinary shares issued and issuable of 1,401,244,810 (previous corresponding period : RM12,790,991 and 1,373,751,731 shares). The adjusted weighted average number of ordinary shares issued and issuable has been arrived at based on the assumption that ESOS are exercised at the beginning of the financial year. The ordinary shares to be issued under ESOS are based on the assumed proceeds on the difference between share price and exercise price.

The basic earnings per share and the diluted earnings per share for the financial year are calculated based on the following weighted average number of ordinary shares :

	<b>30-09-07</b>
Weighted average number of ordinary shares in issue	1,398,826,317
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS	2,418,493
Weighted average number of ordinary shares for diluted earnings per share	<u>1,401,244,810</u>

Date: 20 November 2007